

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

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**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

EO

LEGEND

UIL 4945.04-04

X= The Foundation  
Z= Local Area  
x= Scholarship Amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated March 31, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program to award scholarships to college-bound, high school seniors residing in Z. The purpose of the scholarship is to assist students who show a financial need, have good academic standing, and are involved in the community. The college may be a 2 year college, 4 year college or vocational school.

Approximately 5 scholarships in the amount of x will be awarded to the local public and private high schools each year. The applicant must finish high school within the year they apply for the scholarship.

The program will be publicized through the local newspaper, school newspapers, school websites, and senior guidance counselors. It will be open to all high school seniors who meet the following eligibility requirements:

- High school senior who must finish high school within the year they apply for the scholarship.
- Demonstrate a financial need based on parent/guardian last tax return.
- Academic standing with a minimum of 3.5 cumulative GPA on a 4.0 scale or a minimum 23 ACT score.
- Active member in school organizations, the community or church.

Relatives of members of the selection committee, or of its officers, directors, or substantial contributors are not eligible for scholarship awards.

Interested students will submit an application along with a letter of recommendation from a teacher at the student's high school and a letter of recommendation by the sponsor of the organization in which the student is active in. The student will also include a brief summary (300 words or less) of the organizations in which he/she is involved with and the impact it has on their life.

The application and letters of recommendation will be submitted to the high school's guidance counselor. The counselor will submit to the director of X the qualified applicant's application, letters of recommendations, ACT score and transcripts.

The executive director of X will review all applicants to determine the applicant's qualifications. The selection committee for the awards will be made up of the current board members of X. The director and other board members if possible will conduct an interview with each potential applicant.

The scholarship will be awarded to the student who shows the greatest financial need, GPA of 3.5 with a minimum of 23 of ACT, and shows the greatest involvement with school activities, church or community.

Once the determination of the recipients has been made, a letter will be sent by X to the recipient confirming that they won the scholarship. The recipient will be asked to sign a form stating that they will accept the award and specify the name and address of the college, university, or technical school in which they are enrolled.

The student must be enrolled as a full-time beginning freshman no later than the fall semester following high school graduation, unless a circumstance beyond the student's control, such as serious illness or injury, prevents enrolling at that time. In such case, recipient must enter college by the spring semester of the following year or the scholarship will go to the first alternate.

Scholarships will be paid directly to the college of the student's choice and will be applied to tuition, housing, books, etc. The amount awarded will be paid once the student has officially been accepted to that college and has actually enrolled in the first semester's classes. If the recipient violates the criteria of the scholarship awarded it will not be awarded to that student but rather to the next alternate.

X will maintain case histories showing recipients of the scholarships including names, addresses, purposes of the award, amount of each scholarship, manner of selection, and relationship (if any) to officers, trustees, or donors of funds.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements